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Second country cooperation framework for Kyrgyzstan

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Introduction

1. The second country cooperation framework (CCF) for Kyrgyzstan covering the period 2000-2004 is synchronized with the programming periods of UNFPA and UNICEF. It is based on the results of the 1999 UNDP country review, the 1999 United Nations common country assessment (CCA), the National Sustainable Human Development Strategy of Kyrgyzstan, and recent legislation and decrees issued in the Republic. No United Nations Development Assistance Framework (UNDAF) has yet been prepared for Kyrgyzstan, although a review has been made of the national follow-up to United Nations global conferences — the document on the Kyrgyz response to United Nations global conferences, which has been taken into consideration. The entire programme is based on the priorities of the Government and focuses on those programmes and thematic areas that have either already demonstrated or show potential for significant results, as reflected in the UNDP country review, the 1999 results-oriented annual report (ROAR) and the report of the Administrator on the Business Plans, 2000-2003 (DP/2000/8). It addresses issues in which UNDP has a clear comparative advantage in a Kyrgyz context and has eliminated those projects that have remained marginal or extraneous to these core objectives. The document is the outcome of a long process of dialogue with all conceivable stakeholders and includes extensive field trips.

I. The development situation from a sustainable human development perspective

Macroeconomic issues

2. The economic growth resumed in 1995 has remained unstable, with a dramatic decline in 1998 brought on by the Russian crisis. The impact of this emergency continued to be felt in 1999 with inflation reaching 39 per cent, in large part due to the sharp devaluation of the local currency. As a consequence, the gross domestic product (GDP) rose by barely 2 per cent and Kyrgyzstan was no longer in an International Monetary Fund (IMF) programme, further aggravating its international financial position. The state budget, financed by concessional loans through the international financial institutions (IFIs) has brought the external debt to some $1.3 billion or 80 per cent of GDP, with an increasing debt-service burden. Private ownership of land has been introduced, but a five-year moratorium has been imposed on the sale of land. The private sector now constitutes the biggest part of the economy. Nevertheless, the sector remains severely depressed as a result of a morass of taxation laws that are often open to interpretation, export tariffs and quotas, licensing requirements and the non-availability of credit.

Government and political issues

3. Kyrgyzstan has an impressive record of state-building and economic reform and has proceeded far in democratization and the building of a market economy based on private property and the rule of law. Kyrgyzstan is a multi-party State, which holds open elections to legislatures at both the local and national levels. In the past three years, there has been continued growth of the executive branch of government that continues to dominate policy and political dialogue, as manifested in the extensive duplication of functions in the office of the President and the office of the Prime Minister and the rapid turnover of cabinet members. Further legislation on the devolution of functions and the decentralization of financial authority is under preparation. While the two-chamber parliament has become more assertive, its effectiveness has been undermined by a lack of credibility, substantive capacity and objectivity. The parliament remains insufficiently developed to provide an effective counterpoint to the executive branch.

Social issues

4. Persistent economic problems have resulted in the rapid growth of poverty. It now amounts to some two thirds of all households. The real unemployment figure is about 20 per cent, out of which 62 per cent are women; these figures are particularly high in the south and in the mountains. Although, as in other countries in the Commonwealth of Independent States, women have had a high level of social and educational achievement and remain equal before the law, they have been more severely affected by the transition than men. There are only two female ministers. Women are not represented among *oblast* (province) governors and there is only

one female *rayon akim* (district governor). Only 4 per cent of the total representation in both houses of parliament are women, down from 32 per cent during the Soviet period.

Comprehensive Development Framework

5. In March 1999, Kyrgyzstan was selected as a pilot country for the World Bank-supported Comprehensive Development Framework (CDF). An initial global workshop focused on: (a) macroeconomic stabilization and economic growth; (b) the role of the State, governance, legal reform and civil society; (c) the role of the private sector, finance and investments; (d) poverty alleviation, social protection and human development and (e) regional cooperation, trade and development. Other workshops are planned (covering poverty reduction, economic stability and governance) before finalization of the CDF by mid-2000.

II. Results and lessons of past cooperation

6. Significant advances have been made in the preparation of legislation that has increased the openness of the State, created the basis for the building of civil society, supported market reforms and devolved authority to the local level, i.e., a democratic framework is more or less in place. However, consistent application is weak and there is no automatic linkage between democratic governance and economic performance. Thus, administrative reforms have been viewed principally as a means of fulfilling conditionality requirements of the IFIs, and while eliminating duplication and addressing some inefficiencies within the system, have not addressed more fundamental issues. This is borne out in trends that continue the creation and elimination of government units at various levels, with a net increase in the total number of government units. The civil service is characterized by overlapping functions, excess capacity in some units, extreme wage compression, lack of performance incentives, extensive politicization of appointments and the absence of systematic performance appraisal.

7. The country review for Kyrgyzstan endorsed the core of the first CCF; the continuation of a highly focused and coherent programme addressing central government restructuring, decentralization and self-governance, governing institutions and the development of civil society. The review highlighted the importance of a coherent and well-defined vision of the role of the State at the central and local levels and the institutional mechanisms to implement the reform processes.

8. Over 1,200 non-governmental organizations (NGOs)/community-based organizations (CBOs) have emerged in recent years, in part as a response to the demand created by donors; the institutional capacity and role of these CBOs remain low. Nevertheless, it demonstrates the rapidity with which civil society and local government authorities can be empowered and flourish in a society in which literacy and education levels remain high.

9. The country review recommended that UNDP stimulate more active and widespread participation of NGOs and civil society in the reform process. It also stressed the importance of ensuring that the national sustainable human development (SHD) strategy is integrated into the macroeconomic stabilization and reforms currently under way. Experience under the last CCF demonstrated the importance of ensuring close synergy between the programmes relating to state restructuring and UNDP support to the alleviation of poverty. The creation of broader participation through legislatures and the continued decentralization of authority and devolution of functions to the local level must be supported with the creation of economic capability and democratic participation through the creation and strengthening of community-based organizations and their further empowerment at the village (*ayil*) level.

10. Small and medium-sized enterprises (SMEs) and individual producers in the agricultural sector remain the principal hope for growth and income generation in the future. The creation of an enabling environment for the growth of entrepreneurs, SMEs and individual privately owned farms and community-based income-generating activities holds out the greatest potential for growth and poverty reduction.

11. It is clear that economic, social and political disparities, including control over water and land resources, were the cause of the violence that erupted in 1990 in the south, and remain at the root of the latent tension in the region. The details of vulnerability of

different groups still need to be verified at the level of individual communities in order to be able to generate reliable policy options.

12. Finally, experience with the first CCF demonstrates the importance of implementing programmes that are designed to operate both at the grass-roots as well as the central level. Programmes that are able to work successfully on the development of national policies and legislation are all the more effective in the implementation of programme activities at the local level, such as the decentralization and poverty alleviation projects.

III. Objectives, programme areas and expected results

13. Given the information presented above, based on ongoing programmes coupled with additional support to civil service reform and preventive development, UNDP will continue its major role in government restructuring. The second focal area, contained within the overall theme of social governance will address poverty alleviation, sustainable livelihoods and support to civil society.

Objectives

14. The programme is concentrated on strengthening democratic governance reforms and creating conditions for participatory and market-based solutions for poverty alleviation. This is to be achieved through two closely interrelated goals and two cross-cutting themes. The two goals are (a) transforming the role of the State and creating the essential infrastructure for democracy that is accountable to the public, and (b) developing the environment and addressing critical bottlenecks preventing broad-based participation in political decision-making and market-based growth.

15. Changes in the structure and functions of the State, including the devolution of authority and the privatization of a number of critical functions and services, will enhance human development and poverty alleviation efforts at the grass-roots and national levels. Growth and empowerment at the lower levels through the creation of and support to CBOs will in turn complement the decentralization policy of the Government and strengthen the foundations of democracy by generating dialogue between grass-roots organizations and local and national organizations. Carefully targeted poverty alleviation will result in the integration of more vulnerable groups into the mainstream of economic and political development and will also complement the decentralization effort by addressing the needs of those sections of the population that cannot be addressed through non-targeted interventions.

Programme areas

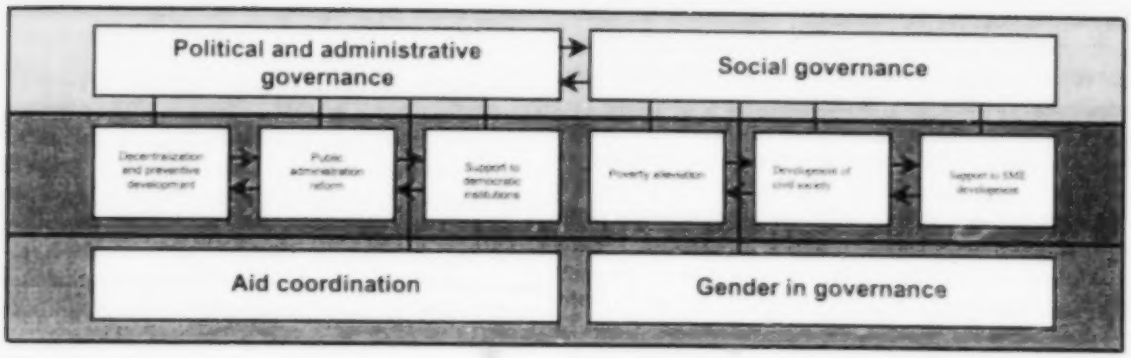
16. Based on the above and taking into consideration management arrangements as described below, the new CCF will have two major programme areas: political and administrative governance and social governance. Each area has three subprogrammes and one cross-cutting theme.

Political and administrative governance

Public administration reform

17. Approaching a new phase in its reforms, Kyrgyzstan is moving towards the fundamental task of reconceptualizing the role of the State and restructuring the various branches of government accordingly. Thus, the major result expected to be accomplished through this subprogramme is the formulation of a well-defined vision of the State which will make a clear distinction between the role and functions of the private and state sectors in the development process. This will be accomplished through policy dialogue on the role of the State between key players of society, including the Government, the private sector, academia, NGOs and the media, and delivering high-level policy advice to the President in order to prepare a number of alternative options for the restructuring of government.

18. Attaining a level of professionalism in the civil service through defining the roles and functions of units and individuals and setting performance criteria for better efficiency and effectiveness is a top priority. UNDP will work with select bilateral donors and developing countries that have a long-standing tradition of systematic civil service training to secure funding for an in-service staff development and training programme that uses the facilities available in existing institutions in Bishkek.



Support to democratic institutions

19. One of the major challenges of Kyrgyzstan's young democracy is to sustain the democratic changes in the society and maintain continued support for reforms among its citizens. In order to enable parliamentarians to undertake sound professional analysis of draft laws prepared by government agencies and to enhance parliament-constituency relationships, the current UNDP support in this area will be refocused and expanded. The subprogramme will support the Kyrgyz parliament in accomplishing the following results: (a) formulation of rules and procedures which are in full compliance with the latest developments in the parliamentary system and supportive to the efforts aimed at strengthening the role of parliament in democratic reforms; (b) establishment of subsidiary parliamentary committees for the substantive review of key policy documents submitted by the Government as well as for the development of legislation; and (c) introduction of an appropriate mechanism to improve the accountability of parliamentarians vis-à-vis their constituents.

20. The main objective of UNDP support to the newly established Centre for Public Opinion Studies and Forecasts is to facilitate the political development policy-making processes that are sufficiently responsive to public perceptions and concerns. As a result of the programme, various political parties, the mass media and the Government will be playing a greater role in addressing the needs of the public by facilitating delivery of public services and having an impact on the allocation of public resources. Support will be given to establishing an ombudsman institution.

Decentralization and preventive development

21. In order to stimulate growth and private economic activity at the local level, UNDP will continue to support the decentralization policy of the Government. Two key outputs of UNDP support will be: (a) formulation of an enabling legislation for the devolution of authority to the *rayon* and *ayil* (village) levels and (b) strengthened capacity of local administrations. Programme-implementation capacity established through the recruitment of international and national United Nations Volunteers will be replicated in additional pilot *rayons*. The programme will create capacity both within the elected bodies and the executive authorities to manage the additional responsibilities accorded to the local level. CBOs have been mobilized on a voluntary basis in each of the pilot *ayils* (villages) selected under the UNDP-supported ongoing decentralization programme. The dramatic results achieved to date will be replicated in additional *ayils* and *rayons* (districts). The decentralization component constitutes an important link between the two programme areas of the country programme.

22. Economic hardship, isolation and remoteness in parts of Jalal-Abad and Osh *oblasts* (provinces) have resulted in heightened tension between communities and a rise in religious fundamentalism that is apparently abetted by groups involved in armed conflicts in neighbouring countries. The problem has also given rise to an increase in narcotics trafficking that serves to finance militant groups and supplement incomes. If unchecked, and the root causes of the problem not addressed urgently, the prospect of political instability spreading throughout the republic is not insignificant. UNDP will apply integrated area-based development approaches to address the

interrelated issues of poverty, empowerment and intercommunal harmony. Vulnerability analyses will be conducted at the community level prior to the preparation of a comprehensive preventive development strategy in order to ensure that the complex social and cultural dynamics are fully understood and appropriately addressed. The targeted grass-roots level support, which is being provided to the most vulnerable segments of the population of the Batken and Osh *oblasts* within the framework of the poverty alleviation and decentralization programmes, will be expanded. Collaboration with other United Nations agencies and donors will be actively sought in the implementation of activities under this particular component of the programme.

Social governance

Development of civil society

23. Civil society remains in a fledgling state despite the prodigious numbers of entities that have registered themselves as NGOs. UNDP will target the policy-based NGOs that have established themselves to foster further policy dialogue between the State and civil society. In order to empower civil society organizations and strengthen their independent status, UNDP support will be aimed at delivering the following results: (a) enhancing participatory policy dialogue through continued training of NGOs, supporting research and other advocacy tools; and (b) formulating a favourable policy and regulatory framework for development of CSOs through refining existing legislation.

Poverty alleviation

24. UNDP has had considerable success with targeted social mobilization at the *ayil* level through self-help groups that have specifically sought to empower economically and socially the poorest and most vulnerable groups including women. This programme, which includes a network of social animators, comprises the provision of microcredit to groups at market rates and involves the creation of community-based groups that are identified on the basis of their social and economic characteristics. The programme will be further developed and expanded and its strategy rationalized with that of the decentralization programme (see paras. 21 and 22 above). The ability of these activities to facilitate and ensure participation of the most vulnerable groups in economic growth and the development of democratic dialogue is increasingly apparent.

Support to SME development

25. The UNDP programme will focus primarily on creating an enabling environment for SME development. Towards achieving this result, particular attention will be paid to addressing the current licensing, taxation and other duties that serve as disincentives to growth. The project component will also review the marketing credit and other critical bottlenecks faced by small producers and assist in the development of appropriate policies aimed at invigorating the sector. The achievements under ongoing UNDP programmes will be further expanded with important adjustments to the programme, including (a) attention to ways in which collateral requirements and interest terms can be made more favourable without compromising economic and financial viability; (b) extending outreach beyond the business plan preparation stage; and (c) developing business associations to strengthen political dialogue with the government at the local and national levels on policy issues of concern to small businesses.

Cross-cutting themes

Gender in development

26. Through a programme management-based approach, the role of women in economic, social and political leadership will be addressed by ensuring their full participation as a result of the reforms instituted under the two goals of the programme. In order to ensure that this constitutes more than mere platitudes, UNDP has supported the establishment of the Gender in Development Bureau as a project implementation and advisory body within the Government. The GID Bureau will continue serving as the implementing agent for the poverty alleviation programme. It will also play the leading role in the preparation of vulnerability analyses at the national level with particular emphasis on the development challenges of southern *oblasts*. The GID Bureau will be an active part of the policy discussions concerning public administration and civil service reform and will also work closely with the decentralization programme to ensure that its strategy complements that of the poverty alleviation programme and that the rights of women and other vulnerable groups are not overlooked.

Aid coordination and results-based management

27. As Kyrgyzstan is a pilot country for results-based management, the UNDP country office and the Government have established extensive performance-monitoring criteria, indicators and systems. These monitoring systems will be used to assess performance in the implementation of key government strategies such as the National SHD Strategy and the follow-up to United Nations global conferences. The programme aims to improve monitoring and evaluation at three levels: (a) the National SHD Strategy — as the overall national human development programme; (b) the CDF — in regard to those specific areas where UNDP plays a leading partnership role (see paras. 30-33 below); (c) the UNDP country programme — as an important source of support for human development; (d) programmes — as the actual interventions that will have a measurable impact on policies that will result in human development.

IV. Management arrangements

Programme management

28. Towards the goal of shifting from a project-based to a policy- and programme-based approach, an overall operational governance framework has been established, with two programme support documents covering the programme areas and the cross-cutting themes. It is hoped that this will provide a tool for applied policy and help to coordinate linkages and operational strategies. The governance framework basically follows the CCF format, reflects the work of other donors, identifies gaps, and links up to the tracking of the human development progress project and programme software.

29. Although the national execution modality, along with NGO-execution and implementation, will remain a principal programme delivery tool, UNDP will continue to foster close collaboration with the organizations in the United Nations system, as well as with other partners. The UNDP aid coordination counterpart — Goskominvest — will be closely involved in monitoring nationally executed projects. National and international United Nations Volunteers (UNV) will be the mainstay of the projects implemented under all three goals of the programme. They will constitute the principal source of advisory capacity in the field. Positive experience gained in the use of national volunteers under the aegis of UNV will be expanded and a specific strategy for cultivating the spirit of volunteerism fostered. Programme approach methodology and complementarity of assistance will guide the cooperation and partnership with other development players.

Partnerships

30. Of paramount importance will be the relationship between UNDP and the IFIs both in the context of fostering policy dialogue on the changing role of the State and the creation of conditions for market-based growth and at the project level. UNDP programmes in poverty alleviation and decentralization will work particularly closely with the World Bank and the Asian Development Bank on the delivery of small credit in rural areas and to ensure effective credit management. UNDP will work closely on joint programming with UNHCR and IOM, particularly in the southern *oblasts*, and will cooperate with UNICEF on methodologies, and where possible, the actual implementation of vulnerability analyses both for specific communities in the southern *oblasts* and for the nation as a whole. UNDP will also continue to work with UNFPA and UNAIDS on implementation of its global mandates in those areas where resources beyond the target for resource assignment from the core (TRAC) can be mobilized. Under the United Nations Resident Coordinator, a United Nations Committee on the CDF has been set up, to ensure that the National SHD Strategy remains the basis for the CDF and that the recommendations of the United Nations global conferences are reflected in the future CDF.

31. UNDP will continue to foster the excellent collaboration that it has had to date with key bilateral partners, the Organization for Security and Cooperation in Europe and the European Union Technical Assistance to the Commonwealth of Independent States (TACIS) particularly in the areas of governance, decentralization and poverty alleviation. Efforts will be made to associate International IDEA (Institute for Democracy and Electoral Assistance) with the process of democratization in the country.

32. Fledgling partnerships with national NGOs involved in the development of policy dialogue and ensuring accountability of the organs of state will also

be nurtured and further developed. Active involvement of these NGOs in the implementation of key UNDP projects may also be entertained.

33. Substantive coordination between the key donor agencies in Kyrgyzstan needs to be further developed. The option of holding biannual round-table meetings with key donors and key government officials to establish substantive policy dialogue on key issues will be pursued. UNDP will continue to be supportive of the CDF process. It will work to ensure that the SHD strategies established and endorsed by the Government continue to serve as a frame of reference for activities in the country within the scope of the CDF when it emerges.

Resource mobilization

34. Resource mobilization will continue to be at the very highest level of priority for UNDP in Kyrgyzstan. As part of the United Nations Theme Group on AIDS, UNDP will continue to cooperate with other donors in the struggle against HIV/AIDS. UNDP will also be involved in environmental protection as a follow-up to a project development format (PDF) already initiated. A target ratio of 1:3 of core to non-core resources was achieved under the first CCF and will continue to be the target for the second CCF. For this purpose, a programme reserve of as much as 20 per cent of the expected TRAC 1 and 2 allocation should be maintained as seed money that can be utilized for the mobilization of resources from other United Nations sources (such as the Global Environment Fund and UNAIDS) from bilateral sources and for addressing unforeseen needs.

Annex

Resource mobilization target table for Kyrgyzstan (2000-2004)

Source	Amount (in thousands of United States dollars)	Comments
UNDP regular resources		
Estimated carry-over into 2000	819	Includes AOS
TRAC 1.1.1	4 403	Assigned immediately to country
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources
TRAC 1.1.3	500	
SPPD/STS	195	
Subtotal	**5 917***	
UNDP other resources		
Government cost-sharing	250	
Sustainable development funds	2 112	
of which		
Capacity 21	12	
GEF	1 850	
LIFE	250	
Third-party cost-sharing	3 324	
Funds, trust funds and other	3 276	
of which		
UNV	890	
Danish Trust Fund	1 634	
SIDA Trust Fund	752	
Subtotal	**8 962**	
Grand total	**14 879***	

* Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; LIFE = Local Initiative Facility for Urban Environment; SIDA = Swedish International Development Agency; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; UNV = United Nations Volunteers.